

## AMENDMENTS TO THE FUTURES TRADING RULES

Rule amendments marked in *red*.

<b>RULE AMENDMENTS</b>
<b>Chapter 3 Conduct of Members, Approved Traders and Representatives</b>
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<b>3.3 Duties of Members Undertaking Agency Trades</b>
...
<b>3.3.10 Segregation of Customers' Monies and Assets and Fiduciary Obligations</b>
<p>Subject to Rule 3.3.10(b)(ii), the following requirements apply in relation to a Member's fiduciary obligations to its Customers:</p>
<p>(a) a Member shall discharge its fiduciary obligations to its Customers by:</p>
<p>(i) segregating Customers' monies and assets <del>from the Member's monies and assets;</del></p>
<p>(ii) depositing Customers' monies and assets in trust or custody accounts; and</p>
<p>(iii) separately accounting for the monies and assets of each Customer;</p>
<p>and</p>
<p>(b) a Member shall comply with the following segregation requirements:</p>
<p>(i) in the case of a General Trading Member that holds a licence to engage in a Regulated Activity and a Bank Trading Member, all segregation requirements under the Act and the Conduct of Business Regulations. Except as allowed under those Regulations, the Member is prohibited from depositing or co-mingling its own monies and assets with its Customers' monies and assets; and</p>
<p>(ii) in the case of a General Trading Member that holds a licence specified in Rule 2.4.1(b), such segregation requirements as prescribed by the Relevant Regulatory Authority. The General Trading Member shall immediately notify the Exchange on any changes to such requirements. Notwithstanding the foregoing, the Exchange shall have the discretion to prescribe additional requirements.</p>
<p>"Customer" as used in this Rule 3.3.10 in relation to a General Trading Member that holds a licence to engage in a Regulated Activity and a Bank Trading Member does not include: (a) a director, officer, employee, Approved Trader or Registered Representative of the Member; or (b) <del>an Affiliate a Related Corporation</del> of the Member <del>with respect to an account belonging to and maintained wholly for the benefit of that Related Corporation.</del></p>

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### 3.3.15 Transfer of Error Trades to House Account

The following requirements apply in relation to the transfer of error trades:

(a) if a Member commits an execution error (other than an error in price), the Member shall duly transfer the error trade out from the Customer Account to the Member's House Account, or such other account as the Exchange may permit;

(b) if a Member commits an execution error in price such that the price executed is not in accordance with the Customer's instruction, the Member may, after reaching an agreement with the Customer, resolve the error by compensating the Customer through cash or credit adjustment to the Customer Account. However, in a situation where the Customer does not accept cash or credit adjustment but requests the Member to abide by the instructed price, the Member may accede to the request provided that it discloses to the Customer the details of the trade execution error in the contract note issued to the Customer. These details shall include:

(i) the price that the Member has confirmed to the Customer; and

(ii) the actual price at which the trade is executed;

and

(c) the Member shall maintain proper records to document the details of the error trade, and the review and approval process by its authorised personnel. The Member shall submit to the Exchange on the first Business Day of each week, details of all execution errors in price which occurred in the preceding week where its Customers did not accept cash or credit adjustments, in the form prescribed by the Exchange from time to time.

### 3.3.16 Transfer of Unsuccessful Give-Up Trades to House Account

A Member may enter into a give-up arrangement with a Customer and an accepting Clearing Member, provided that such arrangement is supported by a duly executed give-up agreement. If an executed trade is not successfully given up to and accepted by the accepting Clearing Member by the end of the Trading Day following the trade date (T+1), the Member shall transfer the give-up trade to a designated account meant for unsuccessful give-up trades. This designated account shall be a House Account, or such other account as the Exchange may permit. The Member shall conduct regular reviews and take action to clear the designated account.

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### 3.3.17 Reporting of Account Identity

A Member shall submit to the Clearing House, in the manner as prescribed from time to time, the

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identities of the owners or controlling parties of any House Account or Customer Account which:

- (a) is used for trading of Contracts or carrying of Contracts; or
- (b) contains positions required to be reported pursuant to this Rules as prescribed by the Clearing House.

*Refer to Regulatory Notice 3.3.17; 3.3.18; 3.3.26; 3.3.27.*

"**Customer Account**" as used in this Rule 3.3.17 does not include an account owned by: (a) a director, officer, employee, Approved Trader or Registered Representative of the Member; or (b) ~~an Affiliate Related Corporation~~ of the Member ~~with respect to an account belonging to and maintained wholly for the benefit of that Related Corporation~~. "**House Account**" as used in this Rule 3.3.17, is an account which is not a Customer Account as defined in this Rule 3.3.17.

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### 3.5 Inspection and Audit

#### 3.5.1 Scope of Inspection and Audit Rights

The Exchange, in its discretion, may inspect, audit and take copies of the accounts, books, contracts and other records and documents of that Member to the extent that is necessary or desirable in connection with the discharge of the Exchange's regulatory obligations. The Exchange may also appoint or cause the Member to appoint independent Persons to do the same. Such Person shall report to the Exchange on all or any of the following:

- (a) whether that Member's accounts are being kept and maintained in compliance with this Rules;
- (b) whether that Member's financial position is being maintained in compliance with this Rules;
- (c) whether that Member's business is being conducted in compliance with this Rules;
- (d) whether that Member's accounts, financial position or any non-compliance with this Rules may jeopardize the integrity of the Exchange; and
- (e) such other matter as the Exchange may direct.

#### 3.5.2 Access and Cooperation

A Member shall cooperate with the Exchange and procure for the Exchange or the duly appointed Person:

- (a) access to its premises or its ~~A~~affiliates' premises, as applicable, to carry out on-site inspections during normal business hours;

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- (b) access to the appropriate person for any queries or interviews which the Exchange or the duly appointed Person wishes to conduct in connection with its audit;
- (c) any information or documents which the Exchange or the duly appointed Person considers appropriate for the purpose of investigations; and
- (d) its Customers' full cooperation with the Exchange.

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### Chapter 8 Definitions and Interpretation

#### 8. Definitions and Interpretation

<u>Term</u>	<u>Meaning</u>
Affiliate	Refers to a <u>Related Corporation of a Member with respect to an account belonging to and maintained wholly for the benefit of that Related Corporation; Person who:</u> <u>(a) owns 75% or more of a Clearing Member; or</u> <u>(b) is owned 75% or more by a Clearing Member; or</u> <u>(c) is owned 75% or more by a third party who also owns 75% or more of a Clearing Member;</u>
...	
<u>Affiliate Account</u>	<u>Refers to an account carried on the books of a Member belonging to and maintained wholly for the benefit of an Affiliate;</u>
...	
Customer	<u>Unless otherwise indicated in a particular Rule, R</u> efers to a Person <u>(including an Affiliate)</u> whose account is carried on the books of a Member except where such Person is the Member itself with respect to the Member's House Account;
...	
Customer Account	<u>Unless otherwise indicated in a particular Rule, R</u> efers to an account carried on the books of a Member for a Customer <u>(including an Affiliate Account);</u>
...	
Related Corporation	Shall have the meaning ascribed to it under the Companies Act (Cap.50);*

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	<p><del>* This refers to (a) common parent company; (b) holding company; or (c) subsidiary of a holding company. Subsidiary in return refers to one whereby the holding company has (a) board control; (b) more than 50% equity; or (c) more than 50% voting power.</del></p>
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